

ORIGINAL

OPEN MEETING AGENDA ITEM



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AZ CORP COMMISSION
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2015 JUL 2 PM 4 18

BEFORE THE ARIZONA CORPORATION COMMISSION

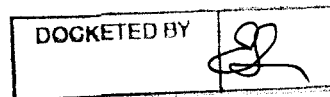
COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

Arizona Corporation Commission

DOCKETED

JUL 02 2015



IN THE MATTER OF THE APPLICATION
OF GREENEHAVEN SEWER COMPANY,
INC. FOR AN INCREASE IN ITS RATES

DOCKET NO. SW-02326A-14-0321

**COMMENTS TO THE
RECOMMENDED OPINION AND
ORDER**

Greenehaven Sewer Company, Inc. ("Company" or "Greenehaven") hereby
responds to the Recommended Opinion and Order ("ROO"). Greenehaven accepts the
ROO's revenue requirement and proposed long-term rates. However, the Company
disagrees with the proposed phase-in of rates.

For nearly 30 years, Greenehaven has been able to maintain extremely low rates
for its customers. Residential customers have paid only \$12.25 per month for sewer
service. Unfortunately, these rates are no longer sustainable. During the 2013 Test Year,

1 the Company suffered an operating loss of \$51,970. *See* ROO at ¶ 31. In 2014,
2 Greenthaven lost \$65,863. *See* Greenthaven Sewer Company's 2014 Annual Report.

3
4 Staff's position is that the Company's revenue requirement is \$124,528. To
5 generate this amount, the residential sewer bill would need to be \$32.65 per month. This
6 is nearly \$5.00 less than what the Company proposed. Moreover, this is \$2.47 less than
7 the average monthly bill of a small sewer company customer.¹

8
9 But even after finding the record supports residential rates of \$32.65 per month,
10 Staff and the ROO recommend a phase-in of rates so that during the first six months
11 residential customers would be charged only \$22.45 per month and other classes would
12 similarly have rates less than the long-term rates. Effectively, this means that during the
13 first year following the order in this case, Greenthaven will receive \$21,597 less in
14 revenue. *See* Attachment 1. Put another way, for the first six months the ROO
15 recommends that by design the Company will lose \$3,599.52 per month. For a Company
16 that has lost substantial money over the last two years, this is simply unreasonable.

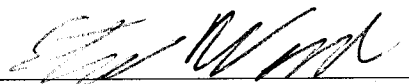
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18 Both Staff and the ROO justify this approach based upon the rate shock principle.
19
20 The Company disagrees that rate shock principle applies here. Admittedly, the rates
21 proposed by Staff will increase 200%, which initially sounds drastic. But the
22 Commission should also consider that the current rates were set when Ronald Reagan
23 was still President and that the actual amount customers will pay is still below the state
24
25

26
27
28 ¹ WIFA Water and Wastewater Service Pricing in Arizona, at p. 11 (Sept. 2014) (median monthly bill for sewer service by a company with less than a thousand connections is \$35.12).

1 average for similarly situated customers. The Company believes that nobody in this
2 community will be shocked to pay a \$32.65 sewer bill. Therefore, the Commission
3 should adopt the rates recommended by Staff and the ROO, but reject the proposed
4 phase-in.
5

6 DATED this 2nd day of July, 2015.

7
8 **MOYES SELLERS & HENDRICKS**

9 
10 Steve Wene
11

12 Original and 13 copies of the foregoing
13 filed this 2nd day of July, 2015, with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007
18

19 Donnelly Herbert
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ATTACHMENT 1

Greenehaven Sewer Company
Calculation of Revenue Lost During Phase 1 Rates
Docket No. SW-02326A-14-0321

	Phase 1				Phase 2			
	Rates	# of Customers	Monthly Revenue	6 Months of Revenue	Rates	# of Customers	Monthly Revenue	6 Months of Revenue
Residential Units	\$ 22.45	219	\$ 4,916.55	\$ 29,499.30	\$ 32.65	219	\$ 7,150.35	\$ 42,902.10
Condo Units	19.38	96	1,860.48	11,162.88	32.65	96	3,134.40	18,806.40
Commercial Units	22.45	9	202.05	1,212.30	32.65	9	293.85	1,763.10
			<u>\$ 6,979.08</u>	<u>\$ 41,874.48</u>			<u>\$ 10,578.60</u>	<u>\$ 63,471.60</u>

6 months of revenue under Phase 2 rates	\$ 63,471.60
6 months of revenue under Phase 1 rates	<u>41,874.48</u>
Revenue lost during Phase 1 rates*	<u><u>\$ 21,597.12</u></u>

*Per month this is a loss of \$3,599.52